

Memorandum

To: Managing Partner

From: Administrator

Re: Client Value Leadership

Date: Today

The battle for market leadership will never end. Trying to match every move made by our competitors and then upping the ante a bit will not work. In the end we will offer no more than the next firm and therefore be no better off--our services will become commodity-like, resulting in lower longer term profitability.



Stephen Mabey, CA
Principal & Managing Director



Michael Mabey
Consumer Metrics, Inc.

*Clients today
want more of
those things they
"value" ~ Price,
Time, Service &
Quality.*

There are four major components of the value our clients seek:

- **Price:** Perceived cost-benefits received for dollars spent.
- **Time:** Speed of response.
- **Service:** Extraordinary service is becoming the norm; ordinary service is becoming unacceptable.
- **Quality:** High quality is the cost of admission to the marketplace- it does not attract new clients because it's a given that a firm delivers quality service.

There are two "truths" that characterize these values:

1. Different clients buy different kinds of value. We must ensure that our choice of clients is aligned with the values we propose to offer.

2. Client expectations are dynamic, not static. As our clients' value standards change, so do their expectations. We can only stay ahead by moving ahead.

If our firm is going to achieve and sustain dominance, we must first decide what kind of "value proposition" we will offer to our clients and then develop and implement strategy to back up this value proposition.

By value proposition I mean that combination of service, quality, time and price that the firm implicitly promises to deliver to its clients.

Unless the energies of the firm are fully mobilized to continuously create, maintain and improve upon this value proposition, it will be impossible to sustain market leadership.

It will take a great deal of internal discipline to create the structure and systems (the operating model for our firm, if you will) needed to achieve our goals. But, not choosing a value proposition strategy means:

- setting the firm up to be overtaken (or at least its client base eroded) by any firm that is willing to commit to matched value and focuses on how to achieve it;
- letting circumstances and other law firms' actions and strategies control the firm's destiny;
- creating managerial complexity that results in our doing business with ourselves rather than with the client; and
- working in a hybrid operating model that consequently causes confusion, tension and loss of energy and no clear way to resolve conflicts or set priorities.

There are three basic types of client value propositions in legal services:

1. **Operation Excellence - "Low- Cost Producer"**: commodity-like services (simple wills, residential property, collections, small claims court, etc.) at best price with least inconvenience; low cost (pre-priced) and hassle-free service.
2. **Product Leadership - "Specialty Boutiques"**: offer services that require a tremendous amount of knowledge in a specific area or industry and push performance boundaries: best service-period; not price-focused.
3. **Client Intimacy - "Relationship Managers"**: focus on what specific clients want instead of the entire market; solve client problems rather than specialized legal problems; don't pursue one-time transactions but cultivate relationships

Continuously improving the value that clients perceive and receive from our firm is imperative. The raising and resetting of clients' perceptions of value/expectation, can only be done through the firm's operating model.

The operating model is that combination of core operating processes, business structure, management systems and culture that gives a firm the capacity to deliver its chosen client value proposition. Improving the operating model can make the competitors' offerings look less appealing, or even shatter their position by rendering their value proposition obsolete.

This chart highlights the basic operating model characteristics associated with each of the preceding value propositions.

Value Proposition	Key Component	Key Characteristics of Operating Model
I. Low-Cost Producer	Core Processes	Processes for end-to-end product supply and basic service that are optimized and streamlined to minimize costs and hassle;
	Business Structure	Operations are standardized, simplified, tightly controlled and centrally planned, leaving few legal decisions to the working lawyers;

	Management Systems	Management systems that focus on integrated, reliable, high-speed transactions and compliance to norms;
	Culture	A culture that abhors waste, rewards efficiency and values conformity.
	Core Processes	Processes that focus on invention, product development and market-niche exploitation.
	Business Structure	A business structure that is loosely knit, ad hoc and ever-changing to adjust to the entrepreneurial initiative and redirection that characterizes continuous product development;
II. Specialty Boutiques	Management Systems	Management systems that are results-driven, that measure and reward new product success and that don't punish the experimentation needed to there;
	Culture	A culture that encourages and values individual imagination, accomplishment, "out-of-the-box" thinking and a mind set driven by the desire to create the future.
	Core Processes	An obsession with the core processes of solution development (helping the client understand exactly what is needed), results management (ensuring the solutions gets implemented properly); and relationship management;
III. Relationship Managers	Business Structure	A business structure that delegates decision making to the lawyers who are close to the client;
	Management Systems	Management systems that are geared toward creating selected and nurtured clients;
	Culture	A culture that embraces specific rather than general solutions and thrives on deep and lasting client relationships.

In order to dominate our market we must improve our client value proposition year after year. Our firm must select one value proposition and focus all its assets, energies and attention on the delivery of that value proposition.

In doing so it will deliver better performance in that value proposition than a firm that divides its attention among more than one value proposition.

Comments or Questions?



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